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Report Highlights: Brazilian MY 2002 unmanufactured tobacco production is estimated at 674,500 mt, a sharp increase compared to the previous season, due to increased area planted and good yields. Prices for the 2002 crop were adjusted upward 12 percent from 2001. Total MY 2001 exports for were 435,500 mt, up 94,000 mt from MY 2000. Competitive price, high-quality product in Brazil and political problems in Zimbabwe contributed to increase exports. According to the industry, approximately 34 percent of the Brazilian cigarette market is impacted by unfair competition, mainly contraband product.

Includes PSD changes: Yes

Includes Trade Matrix: No

Annual Report

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Executive Summary

Total MY 2002 Brazilian unmanufactured tobacco production is estimated at 674,500 metric tons (mt), farm sales weight, a sharp increase compared to the previous season. Increase area planted to tobacco and good yields account for the rise. Prices for the 2002 crop were adjusted up 12 percent from 2001. Total exports for MY 2001 reached 435,500 mt, up 94,000 mt from MY 2000. Competitive domestic priced, high-quality Brazilian product and political problems in Zimbabwe contributed to increase exports. According to the industry, approximately 34 percent of the Brazilian cigarette market is impacted by unfair competition, mainly contraband product, brought in through Paraguay.

UNMANUFACTURED TOBACCO**PS&D: Unmanufactured Tobacco, Total**

PSD Table						
Country	Brazil					
Commodity	Tobacco, Unmfg., Total				(HA)(MT)	
	Revised 2000		Preliminary 2001		Forecast 2002	
	Old	New	Old	New	Old	New
Market Year Begin	01/2000		01/2001		01/2002	
Area Planted	329,500	329,500	332,500	328,000	0	377,000
Beginning Stocks	212,130	212,130	266,980	266,980	264,930	191,715
Farm Sales Weight Prod	589,000	589,000	539,500	542,400	0	674,000
Dry Weight Production	493,100	493,100	454,900	457,315	0	570,150
U.S. Leaf Imports	900	900	500	0	0	0
Other Foreign Imports	6,050	6,050	4,500	8,950	0	8,600
TOTAL Imports	6,950	6,950	5,000	8,950	0	8,600
TOTAL SUPPLY	712,180	712,180	726,880	733,245	264,930	770,465
Exports	341,500	341,500	354,900	435,500	0	447,700
Dom. Leaf Consumption	96,750	96,750	102,050	97,080	0	96,250
U.S. Leaf Dom. Consum.	900	900	500	0	0	0
Other Foreign Consump.	6,050	6,050	4,500	8,950	0	8,600
TOTAL Dom. Consumption	103,700	103,700	107,050	106,030	0	104,850
TOTAL Disappearance	445,200	445,200	461,950	541,530	0	552,550
Ending Stocks	266,980	266,980	264,930	191,715	0	217,915
TOTAL DISTRIBUTION	712,180	712,180	726,880	733,245	0	770,465

PS&D: Unmanufactured Tobacco, Flue Cured

PSD Table						
Country	Brazil					
Commodity	Tobacco,Unmfg.,Flue Cured				(HA)(MT)	
	Revised 2000		Preliminary 2001		Forecast 2002	
	Old	New	Old	New	Old	New
Market Year Begin	01/2000		01/2001		01/2002	
Area Planted	195,000	195,000	202,000	200,000	0	237,200
Beginning Stocks	101,980	101,980	148,280	149,930	155,080	92,970
Farm Sales Weight Prod	438,000	438,000	410,000	410,000	0	515,000
Dry Weight Production	376,500	376,500	352,600	352,600	0	442,900
U.S. Leaf Imports	900	900	500	0	0	0
Other Foreign Imports	3,400	3,400	2,000	6,250	0	6,000
TOTAL Imports	4,300	4,300	2,500	6,250	0	6,000
TOTAL SUPPLY	482,780	482,780	503,380	508,780	155,080	541,870
Exports	274,000	272,350	285,000	352,200	0	362,000
Dom. Leaf Consumption	56,200	56,200	60,800	57,360	0	56,750
U.S. Leaf Dom. Consum.	900	900	500	0	0	0
Other Foreign Consump.	3,400	3,400	2,000	6,250	0	6,000
TOTAL Dom. Consumption	60,500	60,500	63,300	63,610	0	62,750
TOTAL Disappearance	334,500	332,850	348,300	415,810	0	424,750
Ending Stocks	148,280	149,930	155,080	92,970	0	117,120
TOTAL DISTRIBUTION	482,780	482,780	503,380	508,780	0	541,870

PS&D: Unmanufactured Tobacco, Burley

PSD Table						
Country	Brazil					
Commodity	Tobacco, Unmfg., Burley				(HA)(MT)	
	Revised 2000		Preliminary 2001		Forecast 2002	
	Old	New	Old	New	Old	New
Market Year Begin	01/2000		01/2001		01/2002	
Area Planted	52,000	52,000	50,000	49,000	0	60,000
Beginning Stocks	106,650	106,650	111,900	108,550	106,850	90,890
Farm Sales Weight Prod	95,000	95,000	87,000	89,000	0	115,000
Dry Weight Production	80,750	80,750	73,950	75,650	0	97,750
U.S. Leaf Imports	0	0	0	0	0	0
Other Foreign Imports	600	600	500	650	0	600
TOTAL Imports	600	600	500	650	0	600
TOTAL SUPPLY	188,000	188,000	186,350	184,850	106,850	189,240
Exports	57,000	60,350	59,000	74,450	0	77,000
Dom. Leaf Consumption	18,500	18,500	20,000	18,860	0	18,650
U.S. Leaf Dom. Consum.	0	0	0	0	0	0
Other Foreign Consump.	600	600	500	650	0	600
TOTAL Dom. Consumption	19,100	19,100	20,500	19,510	0	19,250
TOTAL Disappearance	76,100	79,450	79,500	93,960	0	96,250
Ending Stocks	111,900	108,550	106,850	90,890	0	92,990
TOTAL DISTRIBUTION	188,000	188,000	186,350	184,850	0	189,240

PS&D: Unmanufactured Tobacco, Light Air Cured

PSD Table						
Country	Brazil					
Commodity	Unmfg., Light Air Cured				(HA)(MT)	
	Revised 2000		Preliminary 2001		Forecast 2002	
	Old	New	Old	New	Old	New
Market Year Begin	01/2000		01/2001		01/2002	
Area Planted	3,000	3,000	4,000	4,000	0	4,800
Beginning Stocks	1,900	1,900	1,050	1,550	100	1,585
Farm Sales Weight Prod	7,000	7,000	7,000	7,700	0	8,000
Dry Weight Production	5,950	5,950	5,950	6,545	0	6,800
U.S. Leaf Imports	0	0	0	0	0	0
Other Foreign Imports	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	7,850	7,850	7,000	8,095	100	8,385
Exports	4,500	4,000	4,400	4,150	0	4,000
Dom. Leaf Consumption	2,300	2,300	2,500	2,360	0	2,350
U.S. Leaf Dom. Consum.	0	0	0	0	0	0
Other Foreign Consump.	0	0	0	0	0	0
TOTAL Dom. Consumption	2,300	2,300	2,500	2,360	0	2,350
TOTAL Disappearance	6,800	6,300	6,900	6,510	0	6,350
Ending Stocks	1,050	1,550	100	1,585	0	2,035
TOTAL DISTRIBUTION	7,850	7,850	7,000	8,095	0	8,385

Production

Production and Crop Area

The U.S. Agricultural Trade Office, São Paulo (ATO) estimate for total marketing year (MY) 2002 (January-December) Brazilian unmanufactured tobacco production is 674,000 metric tons (mt), farm sales weight (FSW), up 24 percent from the revised MY 2001 crop estimate (542,400 mt). Total area planted to tobacco for MY 2002 is estimated at 377,000 hectares (ha.), up 15 percent relative to the previous crop.

The 2002 southern crop should account for 638,000 mt, up 131,300 mt from last season due to expanded planted area and above average yields. Weather conditions were considered good and a dry spell during late December 2001 and early January 2002 stimulated leaf development, but did not significantly affect the size of the crop. Product quality is considered good, but not as good as 2001, a benchmark for quality. According to information provided by the Tobacco Trade Association (Sindifumo), the overall quality of the down stalk Virginia is good, slightly brighter and cleaner than past season. The leaf is brighter and there are less ripe to over ripe leaves compared to 2001. The overall Burley quality is good and less deep tan than 2001. The harvest finished in mid-March and marketing is virtually over.

No industry forecast has been done for the MY 2003 southern crop, but post contacts expect a 5 to 10 percent increase in area for the coming season, since both growers and tobacco processing plants are stimulated by favorable market conditions and forecasts for increased international demand for Brazilian tobacco (see Trade). The table below shows Brazilian production estimates for MY 2000, 2001 and 2002 for southern and northeastern Brazil.

Total Brazilian Tobacco Area and Production (000 ha, 000 mt, FSW)						
Region/Type	Area			Production		
	2000	2001	2002	2000	2001	2002
South Brazil	250.0	253.0	302.0	540.0	506.7	638.0
Flue Cured, Virginia	195.0	200.0	237.2	438.0	410.0	515.0
Flue Cured, Amarelinho	0.0	0.0	0.0	0.0	0.0	0.0
Burley	52.0	49.0	60.0	95.0	89.0	115.0
Light Air Cured	3.0	4.0	4.8	7.0	7.7	8.0
Northeast Brazil	79.5	75.0	75.0	49.0	35.7	36.0
Total Brazil	329.5	328.0	377.0	589.0	542.4	674.0
Source: ATO/São Paulo						

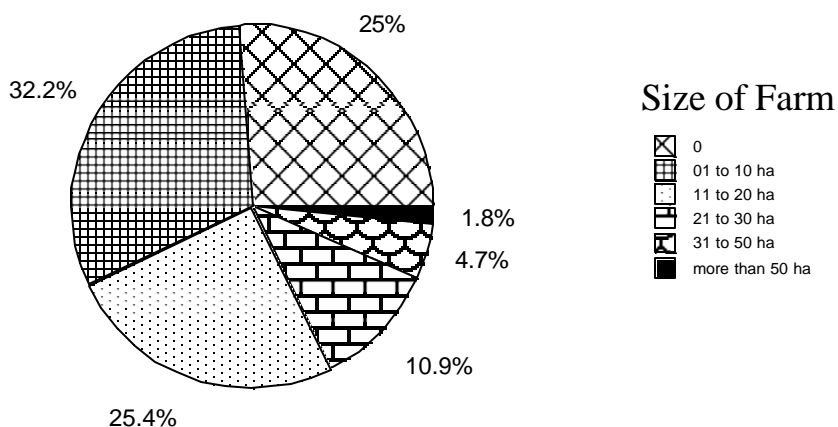
The table below shows the number of tobacco growers and curing burns in southern Brazil, as reported by the Brazilian Tobacco Growers Association (AFUBRA). The number of growers eligible to plant tobacco for the 2001/02 crop in the integrated system adopted by local tobacco processing companies increased to 153,130, up 18,200 from previous crops. This system reflects the partnership between growers and tobacco companies, in which companies provide producers with seeds, other production inputs, and facilitate financing. The increase in the number of tobacco growers for the 2001/02 crop results from the tobacco companies' planning strategies, which set the area to be cultivated each season based on projected requirements, and their selection of the growers to participate.

Number of Tobacco Producers and Curing Barns, South Brazil						
Type	Producers			Barns		
	1999/2000	2000/01	2001/02	1999/2000	2000/01	2001/02
Rio Grande Sul	67,940	68,280	77,570	66,960	68,960	79,590
VI	54,110	54,350	60,910	66,960	68,960	79,590
BY	12,790	12,810	15,310	--	--	--
CO	1,040	1,120	1,350	--	--	--
Santa Catarina	47,560	47,170	51,630	34,320	36,460	38,030
VI	28,230	28,390	31,490	34,320	36,460	38,030
BY	17,640	17,350	19,070	--	--	--
CO	1,690	1,430	1,070	--	--	--
Paraná	19,350	19,480	23,930	11,360	11,760	14,620
VI	10,780	10,740	13,140	11,360	11,760	14,620
BY	7,390	7,350	9,250	--	--	--
CO	1,180	1,390	1,540	--	--	--
South Brazil	134,850	134,930	153,130	112,640	117,180	132,240
VI	93,120	93,480	105,540	112,640	117,180	132,240
BY	37,820	37,510	43,630	--	--	--
CO	3,910	3,940	3,960	--	--	--
Source: Brazilian Tobacco Growers Association (AFUBRA)						
Note: VI - Flue Cured Virginia, BY - Burley, CO - Galpão Comum.						

The average area planted to tobacco on a southern farm for the 2001/02 crop remained stable at 2.6 ha., as reported by the AFUBRA survey, representing approximately 14.1 percent of the total area of the farm. The table below shows the patterns of land utilization on a typical farm in southern Brazil. All other activities are mainly for family subsistence. The survey, as shown below, also points out the number of tobacco growers by size of farm, reflecting that tobacco is planted mainly by small growers. According to the results, 25 percent of growers do not have property of their own, and 32.2 percent have fewer than 10 ha.

Average farm size and crop area, South Brazil, 2001/02 crop.		
Specification	Area (ha)	%
Tobacco	2.6	14.1
Annual crops	4.8	25.9
Grazing area	3.6	19.5
Forestry	5.3	28.6
Other	2.2	11.9
Total	18.5	100.0
Source: Brazilian Tobacco Growers Association (AFUBRA)		

Tobacco Producers by Size of Farm, 2001/02 Crop



Source: AFUBRA

Inputs

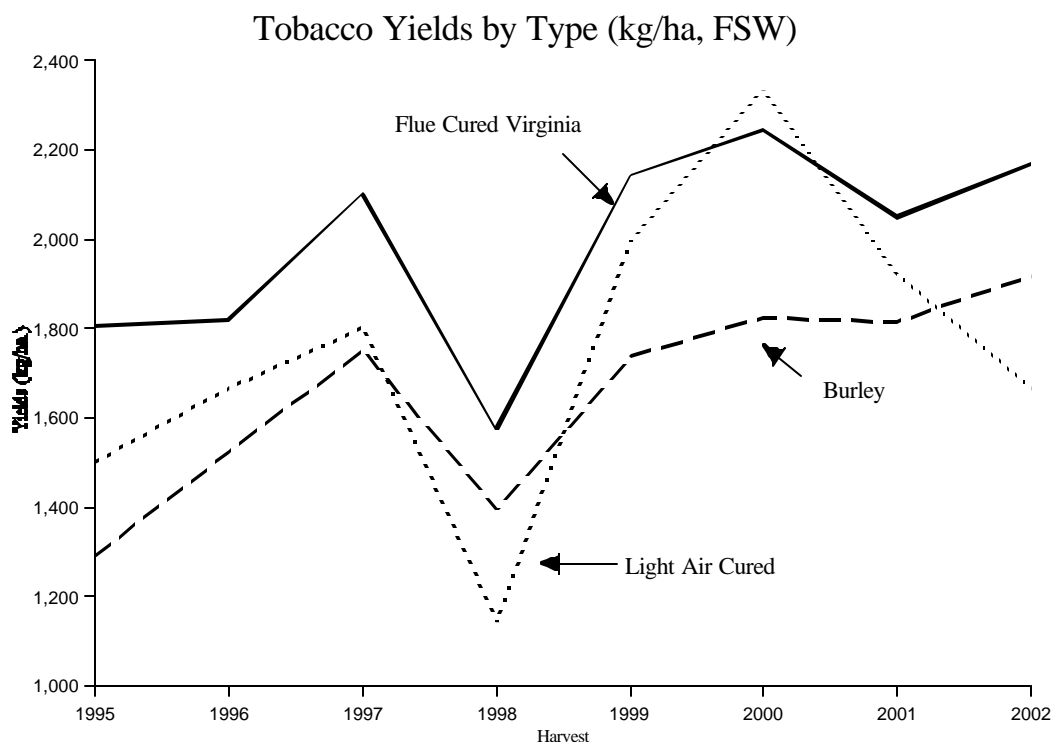
The level of input utilization for the southern 2001/02 crop remained at levels similar to the previous crop, using a lower volume of nitrogen to control the alkaloid content in nicotine.

Yields

The table and graph below show tobacco yields for southern and northeastern Brazil, as well as tobacco yields by

variety planted in the south. Tobacco yields for the 2002 southern harvest are estimated at 2,113 kg/ha., up 5 percent from last season.

Tobacco Yields, South and Northeast Region (kg/ha, FSW).		
Year	South	Northeast
1995	1,700	946
1996	1,758	746
1997	2,023	608
1998	1,527	528
1999	2,053	616
2000	2,160	616
2001	2,003	476
2002	2,113	480
Source: ATO/São Paulo		



Weather Patterns

The tables below show rainfall and temperature data as reported by AFUBRA for the Santa Cruz do Sul region, one of the major tobacco producing regions in the southern Brazil state of Rio Grande do Sul (RS).

Rainfall data - Santa Cruz do Sul, RS (mm)					
Month	1999	2000	2001	2002	Avg 75/00
January	165	122.0	238.0	112.0	146.6
February	188	108.0	205.0	121.0	137.9
March	42	236.0	177.0	219.0	127.0
April	168	132.0	289.0	192.0	156.8
May	182.0	132.0	31.0	186.0	121.8
June	132.0	309.0	123.0	--	171.1
July	241.0	125.5	207.0	--	167.6
August	84.5	116.5	73.0	--	142.6
September	171.0	175.0	338.0	--	164.3
October	201.0	207.0	76.0	--	164.4
November	106.0	184.0	148.0	--	158.7
December	118.0	97.0	99.0	--	141.0
Total	1,798.5	1,944.0	2,004.0	830.0	1,799.8
Source: Brazilian Tobacco Growers Association (AFUBRA).					

Temperature Data - Santa Cruz do Sul, RS (degree Celsius).												
Month	1999			2000			2001			2002		
	Max	Min	Avg	Max	Min	Avg	Max	Min	Avg	Max	Min	Avg
January	36.1	21.9	29.0	32.0	21.8	26.9	29.5	21.9	25.7	32.3	21.4	26.9
February	30.3	20.8	25.6	31.2	21.0	26.1	31.5	23.7	27.6	30.2	20.4	25.3
March	32.6	22.7	27.7	28.1	19.5	23.8	32.1	23.4	27.8	32.0	23.5	27.8
April	23.7	16.8	20.3	26.3	18.4	22.4	26.7	18.7	22.7	25.9	18.5	22.2
May	22.2	13.7	18.0	22.5	13.7	18.1	21.4	14.3	17.9	23.8	16.8	20.3
June	19.1	11.0	15.0	20.8	14.1	17.5	22.1	13.5	17.8	--	--	--
July	17.8	11.4	14.6	15.2	8.8	12.0	19.6	12.2	15.9	--	--	--
August	21.9	12.8	17.4	19.9	12.7	16.3	25.3	15.7	20.5	--	--	--
September	23.4	15.0	19.2	20.1	14.2	17.2	23.4	15.6	19.5	--	--	--
October	23.5	15.7	19.6	23.3	17.6	20.5	27.7	18.8	23.3	--	--	--
November	28.0	17.5	22.8	26.6	18.3	22.5	28.9	18.9	23.9	--	--	--

December	30.8	20.8	25.8	29.3	20.7	25.0	30.3	20.1	25.2	--	--	--
Total	25.1	16.2	20.6	24.6	16.7	20.7	26.5	18.1	22.3	28.8	20.1	24.5
Source: Brazilian Tobacco Growers Association (AFUBRA)												

Cost of Production

The production cost breakdown in U.S. dollar terms for the 2000/01 and 2001/02 flue cured Virginia crops follows. Total 2001/02 dollar costs dropped 5 percent compared to 2000/01 due to the steady devaluation of the local currency, the Real. The 2001/02 production cost in the local currency, the Real, increased by 13 percent compared to the previous crop.

Estimated Production Costs, Flue Cured Virginia (US\$/ha)			
Item	2000/01	2001/02	Change %
Variable Costs	1,436.27	1,363.41	(5.07)
Labor	791.5	759.0	(4.11)
Livestock	21.5	19.4	(9.73)
Machinery & Implement	22.2	20.1	(9.21)
Infrastructure	23.8	20.8	(12.71)
Inputs	351.1	323.2	(7.96)
Firewood	120.7	120.9	0.20
Production Insurance	54.8	54.4	(0.68)
Funrural (Social Tax)	47.2	42.1	(10.85)
Electric Energy	3.5	3.5	1.43
Fixed Costs	146.85	135.61	(7.65)
Liming	9.6	9.4	(1.99)
Depreciation			
Machinery/Livestock	27.9	24.8	(11.15)
Implement	51.6	50.8	(1.55)
Infrastructure	57.8	50.7	(12.35)
Total Costs	1,583.12	1,499.02	(5.31)
Assumed yield (Kg/Ha)	2,050	2,083	1.61
Ave. Variable Cost (US\$/Kg)	0.70	0.65	(6.58)
Ave. Total Cost (US\$/Kg)	0.77	0.72	(6.81)
Source: Brazilian Tobacco Growers Association (AFUBRA)			
ROE: R\$ 2.15/US\$ (03/31/00) for 2000/01; R\$ 2.57/US\$ (08/31/01) for 2001/02.			

Prices

Tobacco prices were up 12 percent for the 2002 crop as a result of the price negotiations between growers and tobacco processors. The increases are in local currency terms, in relation to last season. Tobacco prices by grade for MY 2002 and average prices received by producers for MY 2001 and 2002 follow. Note that the average price received by producers in dollar terms, increased 2.6 percent, whereas 2002 prices in Reals increased approximately 11 percent compared to the previous crop.

Producer Prices for South Tobacco by Grade - 2002						
Virginia				Burley		Comum
Grade	US\$/Kg	Grade	US\$/Kg	Grade	US\$/Kg	US\$/Kg
T01	1.29	C L 1	1.03	T 1	1.15	
T02	1.09	C L 2	0.83	T 2	1.00	0.54
T03	0.93	C L 3	0.55	T2L	0.80	0.53
TR1	1.00	C R 1	0.91	T 3	0.72	
TR2	0.69	C R 2	0.65	T3L	0.63	
TR3	0.40	C R 3	0.41	T K	0.46	0.38
TL1	0.84	C 2 K	0.52	B 1	1.19	
TL2	0.65	C 3 K	0.30	B1L	1.08	
TL3	0.37	X O 1	1.14	B 2	1.02	0.68
TK2	0.50	X O 2	0.96	B2L	0.90	0.66
TK3	0.28	X O 3	0.79	B 3	0.81	0.54
B01	1.35	X L 1	0.87	B3L	0.67	0.52
B02	1.17	X L 2	0.74	B K	0.58	0.45
B03	0.95	X L 3	0.44	C 1	1.16	
BR1	1.06	X R 1	0.86	C1L	1.06	
BR2	0.77	X R 2	0.53	C 2	1.02	0.76
BR3	0.52	X R 3	0.31	C2L	0.90	0.74
BL1	1.03	X 2 K	0.38	C 3	0.79	0.64
BL2	0.83	X 3 K	0.24	C3L	0.65	0.60
BL3	0.52	G 2	0.50	C K	0.58	0.50
B2K	0.65	G 3	0.13	X 1	1.08	
B3K	0.33	S C	0.13	X1L	1.03	
C01	1.30	S T	0.08	X 2	0.92	0.60
C02	1.14			X2L	0.86	0.58
C03	0.92			X 3	0.72	
Source: Brazilian Tobacco Growers Association (AFUBRA) Note: Exchange rate: R\$2.4/US\$1 (Dec. 31, 2001).				X3L	0.65	
				X K	0.52	0.41
				N	0.21	0.22
				G	0.09	0.15

Average South Tobacco Producer Prices by Type (US\$/kg)			
Type	2001	2002	% CHNG
Flue-cured Virginia	1.17	1.20	2.6
Burley	1.03	1.07	3.9
Light air-cured (Galpão)	0.67	0.70	4.5
Average Price	1.14	1.17	2.6
Source: Brazilian Tobacco Growers Association (AFUBRA)			
Note: R\$ 2.15/US\$ (March 31, 2001) and R\$ 2.33 (March 31 2002) .			

Other

Farm sales weight (FSW) data in this report are converted to dry weight based on the following conversion factors.

Type	%
Flue cured	86
Burley/Light air cured	85
Cigar leaf	80
Dark cigarette Leaf/Twist	60

Consumption

Total MY 2002 unmanufactured tobacco consumption is forecast at 104,850 mt, down 1,180 mt from MY 2001. The decline is due to an expected decrease in legal cigarette production. Note that tobacco consumption data in this report are based on cigarette production plus an estimate for twist tobacco and cigars. The conversion factor used is 0.8 grams of unmanufactured tobacco per cigarette produced.

Utilization Patterns

Flue cured and light air cured tobaccos are used to manufacture most cigarettes in Brazil. Burley is used mainly in blends to improve the taste of domestic cigarettes.

Trade

Exports

According to Brazilian Secretariat of Foreign Trade (SECEX) information, Brazilian unmanufactured tobacco exports for 2001 are estimated at 435,500 mt, a 28 percent increase from the previous year. The sharp rise in 2001 tobacco exports are explained by the competitiveness of the Brazilian product in international markets due to outstanding quality (lower alkaloid content) and attractive price leveraged by the steady devaluation of the Real, vis-a-vis the U.S. dollar. Brazil has also gained market share from Zimbabwe, where political problems have affected tobacco production. In addition, expanded demand in markets in the Far East and Eastern Europe has contributed to increase Brazilian export sales. ATO projects MY 2002 (January-December) unmanufactured tobacco exports at 447,700 mt, up 3 percent from MY 2001. The aforementioned factors contribute to the expected increase in export volumes. The tables below show total unmanufactured tobacco exports for MY 2000 and 2001 (January-December) and 2001 and 2002 (January-April), by type of product (see Policy for NCM descriptions) and by country of destination, as reported by SECEX.

Unmanufactured Tobacco Exports (MT, US\$000 FOB)								
NCM	2000		2001		2001 1/		2002 1/	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
24011010	0	0	0	0	0	0	0	0
24011020	1,146	6,928	984	6,999	129	1,384	151	508
24011030	15,690	33,394	9,275	21,026	678	1,550	1,285	2,409
24011040	40	102	269	665	0	0	19	50
24011090	7,280	15,500	9,621	16,800	4,937	6,931	1,057	1,681
24012010	0	0	0	0	0	0	0	0
24012020	155	639	202	852	142	421	146	408
24012030	201,224	581,140	249,076	681,027	53,961	138,447	53,238	134,171
24012040	48,581	138,401	54,511	141,620	12,934	33,822	8,267	21,359
24012090	2,197	5,048	2,835	8,307	1,183	3,094	810	1,792
24013000	65,175	31,769	108,623	43,840	25,997	10,482	18,605	7,994
Total	341,488	812,921	435,395	921,135	99,960	196,133	83,578	170,371
Source: Brazilian Secretariat of Foreign Trade (SECEX)								
1/ January-April								

Unmanufactured Tobacco Exports (MT, US\$000 FOB) Partly/wholly stemmed, leaf, flue cured Virginia (NCM 2401.20.30)				
Destination	MY 2000		MY 2001	
	Quantity	Value	Quantity	Value
UNITED STATES	27,101	77,150	33,317	104,551
GERMANY	27,879	84,462	31,236	91,395
UNITED KINGDOM	11,063	31,887	19,939	50,819
BELGIUM	9,290	27,331	17,624	47,528
CHINA	12,550	40,847	15,799	50,618
RUSSIA	7,398	19,530	14,794	32,157
JAPAN	10,948	39,763	10,908	36,542
PHILIPPINES	10,650	27,333	9,951	23,591
EGYPT	3,481	8,811	8,689	17,330
NETHERLANDS	6,847	20,247	7,343	21,775
INDONESIA	5,479	13,501	6,065	13,579
OTHERS	68,539	190,277	73,410	191,143
TOTAL	201,224	581,140	249,076	681,027
Source: Brazilian Secretariat of Foreign Trade (SECEX)				

Unmanufactured Tobacco Exports (MT, US\$000 FOB) Partly/wholly stemmed, leaf, flue cured Virginia (NCM 2401.20.30)				
Destination	MY 2001 1/		MY 2002 1/	
	Quantity	Value	Quantity	Value
GERMANY	9,922	28,418	7,552	22,317
UNITED STATES	6,633	20,940	6,187	18,414
RUSSIA	3,631	7,234	6,117	12,833
SOUTH KOREA	1,762	3,932	3,268	7,237
TURKEY	2,232	5,470	2,760	6,832
BELGIUM	1,873	4,765	2,723	7,375
UKRAINE	720	1,516	2,662	6,322
PHILIPPINES	4,050	9,153	2,500	6,021
UNITED KINGDOM	4,221	10,300	2,253	5,762
NETHERLANDS	916	2,626	1,879	5,487
SOUTH AFRICA	898	1,651	1,663	2,568
OTHERS	17,105	42,441	13,675	33,003
TOTAL	53,961	138,447	53,238	134,171

Source: Brazilian Secretariat of Foreign Trade (SECEX)
1/ January-April

Unmanufactured Tobacco Exports (MT, US\$000 FOB)
Partly/wholly stemmed, leaf, Burley (NCM 2401.20.40)

Destination	MY 2000		MY 2001	
	Quantity	Value	Quantity	Value
UNITED STATES	13,435	37,325	18,956	48,903
GERMANY	8,479	25,316	7,454	17,981
BELGIUM	5,701	14,089	6,307	14,908
JAPAN	2,774	9,599	3,535	10,550
NETHERLANDS	944	2,810	2,025	5,428
PHILIPPINES	921	2,829	1,998	5,646
SPAIN	3,945	11,436	1,925	4,213
SWITZERLAND	0	0	1,485	4,091
THAILAND	0	0	1,307	5,186
POLAND	1,206	2,848	1,153	3,040
MEXICO	3,231	9,530	845	2,209
OTHERS	7,945	22,618	7,522	19,465
TOTAL	48,581	138,401	54,511	141,620

Source: Brazilian Secretariat of Foreign Trade (SECEX)

Unmanufactured Tobacco Exports (MT, US\$000 FOB)
Partly/wholly stemmed, leaf, Burley (NCM 2401.20.40)

Destination	MY 2001 1/		MY 2002 1/	
	Quantity	Value	Quantity	Value
UNITED STATES	5,842	16,301	2,561	7,080
GERMANY	1,990	4,439	867	2,461
POLAND	156	342	796	2,085
PHILIPPINES	317	862	609	1,558
BELGIUM	1,103	2,761	587	1,315
NETHERLANDS	1,141	3,201	509	1,433
RUSSIA	232	599	455	1,088
SWITZERLAND	294	779	338	1,048
ITALY	0	0	326	483
LEBANON	198	356	300	459
UNITED KINGDOM	303	673	188	463
OTHERS	1,356	3,507	732	1,886

TOTAL	12,934	33,822	8,267	21,359
Source: Brazilian Secretariat of Foreign Trade (SECEX) 1/ January-April				
Unmanufactured Tobacco Exports (MT, US\$000 FOB) Tobacco Refuse/Waste (NCM 2401.30.00)				
Destination	MY 2000		MY 2001	
	Quantity	Value	Quantity	Value
UNITED STATES	12,087	4,501	29,213	8,909
RUSSIA	6,381	2,541	12,134	4,088
UNITED KINGDOM	5,086	2,810	11,394	5,493
BELGIUM	1,556	735	7,840	3,609
GERMANY	5,956	3,126	7,337	3,540
UKRAINE	3,863	936	6,066	1,492
JAPAN	3,633	2,218	3,396	1,892
VENEZUELA	1,486	455	3,178	876
FRANCE	1,312	1,022	2,924	2,101
EGYPT	1,161	675	2,766	1,236
SOUTH, AFRICA	87	41	2,323	859
OTHERS	22,567	12,709	20,053	9,746
TOTAL	65,175	31,769	108,623	43,840
Source: Brazilian Secretariat of Foreign (SECEX)				

Unmanufactured Tobacco Exports (MT, US\$000 FOB) Tobacco Refuse/Waste (NCM 2401.30.00)				
Destination	MY 2001 1/		MY 2002 1/	
	Quantity	Value	Quantity	Value
UNITED STATES	2,963	1,075	3,490	1,057
RUSSIA	3,272	872	3,066	959
UNITED KINGDOM	3,609	1,429	2,627	1,418
GERMANY	2,379	1,156	2,518	1,014
UKRAINE	2,605	586	1,707	399
FRANCE	749	642	721	997
TURKEY	561	347	666	424
POLAND	574	356	574	287
ITALY	0	0	396	198
BELGIUM	2,179	1,098	319	100
CHILE	34	10	315	106

OTHERS	7,071	2,910	2,207	1,035
TOTAL	25,997	10,482	18,605	7,994
Source: Brazilian Secretariat of Foreign Trade (SECEX) 1/ January-April				

Imports

SECEX reports total Brazilian tobacco imports for MY 2001, at 8,962 mt, up 2,020 mt from the previous year. Brazilian unmanufactured tobacco imports for MY 2000 and 2001 (January-December) and 2001 and 2002 (January-April), by type of product (see Policy for NCM descriptions) follow.

Unmanufactured Tobacco Imports (MT, US\$000 FOB)								
NCM	2000		2001		2001 1/		2002 1/	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
24011010	4	37	0	0	0	0	0	0
24011020	0	13	15	12	0	0	0	0
24011030	1,747	2,781	554	574	554	574	13	19
24011040	27	66	36	89	27	66	40	97
24011090	726	1,578	2,151	8,242	1,617	6,344	508	1,276
24012010	0	0	0	0	0	0	0	0
24012020	0	0	0	0	0	0	0	0
24012030	2,542	4,929	3,133	8,875	842	2,138	100	310
24012040	587	1,802	633	2,134	62	273	1,075	2,602
24012090	463	1,762	296	726	0	0	694	2,584
24013000	846	207	2,144	321	1,046	156	259	22
Total	6,942	13,175	8,962	20,974	4,149	9,550	2,690	6,909
Source: Brazilian Secretariat of Foreign Trade (SECEX) 1/ January-April								

Stocks

Ending stocks for unmanufactured tobacco for MY 2002 are projected at 217,915 mt, up 26,200 mt from revised MY 2001 stocks. Note that 2001 ending stocks were significantly reduced as a consequence of higher export sales. Actual stock data are not available. The Government of Brazil holds no tobacco stocks.

Policy

As of January 1, 2002, the Common External Tariff (TEC) applied to imported unmanufactured tobacco decreased 1 percentage point. The MERCOSUL Common External Tariff Schedule follows. MERCOSUL represents a trade pact among Brazil, Argentina, Uruguay and Paraguay.

Brazilian Unmanufactured Tobacco - Common External Tariffs		
NCM	Description	Tariff
	Not stemmed, leaf	
2401.10.10	Not dried/fermented	15.5
2401.10.20	Wrapper, dried/ferm.	15.5
2401.10.30	Dried, Flue cured, Virginia type	15.5
2401.10.40	Dried, volatile content over 0.2%	11.5
2401.10.90	Others	15.5
	Partly/Wholly stemmed, leaf	
2401.20.10	Not dried/fermented	15.5
2401.20.20	Wrapper, dried/ferm.	15.5
2401.20.30	Dried, Virginia type	15.5
2401.20.40	Dried, Burley type	15.5
2401.20.90	Other	15.5
2401.30.00	Tobacco refuse	15.5
Source: Brazilian Secretariat of Foreign Trade (SECEX)		

MANUFACTURED TOBACCO, CIGARETTES

PS&D Manufactured Tobacco, Cigarettes

PSD Table						
Country	Brazil					
Commodity	Tobacco, Mfg., Cigarettes				(MIL PCS)	
	Revised 2000		Preliminary 2001		Forecast 2002	
	Old	New	Old	New	Old	New
Market Year Begin	01/2000		01/2001		01/2002	
Filter Production	104,900	104,900	110,400	109,400	0	107,900
Non-Filter Production	0	0	0	0	0	0
TOTAL Production	104,900	104,900	110,400	109,400	0	107,900
Imports	0	200	0	800	0	800
TOTAL SUPPLY	104,900	105,100	110,400	110,200	0	108,700
Exports	700	700	1,000	400	0	500
Domestic Consumption	104,200	104,400	109,400	109,800	0	108,200
TOTAL DISTRIBUTION	104,900	105,100	110,400	110,200	0	108,700

Production

According to trade sources, Brazilian cigarette production for MY 2002 is forecast 107.9 billion pieces (BP), down 1 percent from MY 2001 production. Unfair competition from contraband cigarettes is the major constraint limiting domestic production.

Consumption

Cigarette consumption for MY 2002 is projected at 108.2 BP, down 1.6 BP compared to revised MY 2001 estimate (109.8 BP), as reported by Post contacts. Contraband cigarettes, especially from Paraguay, which are marketed locally at significant lower prices, represent a major concern and competition for Brazilian cigarette companies' local sales. According to the tobacco industry, approximately 34 percent of actual domestic consumption in MY 2001 was contraband cigarettes. The table below shows the evolution of the Brazilian cigarette market, according to the Nielsen/IDS survey. Note the steady increase of the unfair competition represented mainly by contraband cigarettes, but also from cigarettes produced by local companies which do not pay government taxes.

Brazilian Cigarette Market (billion units)			
Year	Legal Sales	Unfair Competition	Total
1991	148	9	157
1992	123	6	129
1993	115	15	130
1994	105	24	129
1995	116	28	144
1996	115	36	151
1997	108	44	152
1998	91	56	147
1999	97	45	142
2000	95	47	142
2001	100	51	151
Source: Nielsen/IDS			

Prices

Retail cigarette prices per pack of 20 pieces vary between R\$1.10 and 3.00 for Souza Cruz (British American Tobacco) and R\$1.00 and 2.75 for Philip Morris products, depending on the brand. The companies readjusted prices June 12, 2002 and March 3, 2002, respectively.

Trade

Exports

Total cigarette exports for MY 2002 are projected at 500 million pieces. As reported by SECEX, MY 2001 cigarette exports for MY 2001 were 400 million pieces, down 300 million pieces from MY 2000. The sharp decrease in cigarette exports is a result of the 150 percent export tax imposed to inhibit cigarette exports to Paraguay and Uruguay which move clandestinely back to Brazil for tax-free resale. Total manufactured tobacco exports for MY 2000 and 2001 by destination, as reported by SECEX, follow.

Manufactured Tobacco Exports (MT US\$000 FOB) Cigarettes (NCM 2402.20.00)				
Destination	MY 2000		MY 2001	
	Quantity	Value	Quantity	Value
UNITED STATES	267.29	2,009.47	420.92	2,264.92
LATVIA	16.40	106.38	40.66	291.78
ISRAEL	21.48	123.18	36.37	185.30
INDONESIA	0.00	0.00	12.50	110.04
SOUTH AFRICA	93.81	691.60	9.98	78.00
ARGENTINA	0.07	0.82	0.04	0.63
COSTA RICA	0.00	0.00	0.04	0.41
MEXICO	0.00	0.00	0.02	0.62
GERMANY	0.00	0.00	0.02	0.29
CANADA	0.04	0.49	0.02	0.07
GUATEMALA	0.00	0.00	0.01	0.21
OTHERS	443.05	2,854.57	0.00	0.01
TOTAL	842.15	5,786.52	520.59	2,932.29
Source: Brazilian Secretariat of Foreign Trade (SECEX)				

Imports

As reported by SECEX, cigarette imports for 2001 were 785.4 million pieces, up 578 million pieces from MY 2000.

Policy

As of January 1, 2002, the Common External Tariff (TEC) applied to imported manufactured tobacco decreased 1 percentage point. The MERCOSUL Common External Tariff Schedule follows. MERCOSUL represents a trade pact among Brazil, Argentina, Uruguay and Paraguay.

Brazilian Manufactured Tobacco - Common External Tariffs		
NCM	Description	Tariff
2402.10.00	Cigars and Cigarillos	21.5
2402.20.00	Cigarettes	21.5
2402.90.00	Others	21.5
Source: Brazilian secretariat of Foreign Trade (SECEX)		

Exchange Rate

Exchange Rate (R\$/US\$1 - official rate, last day of period)					
Month	1998	1999	2000	2001	2002
January	1.12	1.92	1.80	1.97	2.42
February	1.13	2.03	1.77	2.04	2.35
March	1.14	1.77	1.75	2.16	2.32
April	1.14	1.66	1.81	2.22	2.36
May	1.15	1.72	1.82	2.36	2.52
June	1.16	1.77	1.80	2.30	2.86
July	1.16	1.79	1.78	2.43	--
August	1.18	1.81	1.82	2.55	--
September	1.19	1.92	1.84	2.67	--
October	1.19	1.95	1.91	2.71	--
November	1.20	1.92	1.98	2.53	--
December	1.21	1.79	1.96	2.32	--
Source: Gazeta Mercantil					

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